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July 2, 2003

VIA ELECTRONIC COMMENT FILING SYSTEM

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Application by SBC Communications, Inc., et al for Provision of In-Region,
InterLATA Services in Michigan, WC Docket No. 03-138

Dear Ms. Dortch:

Enclosed for electronic filing please find the **Comments Of The Competitive Local Exchange Carrier Association Of Michigan, The Small Business Association Of Michigan, And The Michigan Consumer Federation Opposing Supplemental Application By SBC Michigan For Provision Of In-Region, InterLATA Services In Michigan** in the above referenced matter, pursuant to the Commission's Public Notice No. DA 03-2039 of June 19, 2003. As this filing is being made via the Commission's Electronic Comment Filing System (ECFS), only the attached copy is provided.

Thank you for your cooperation in this regard.

Very truly yours,

CLARK HILL PLC



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RSC:pgt
Enclosures

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Detroit, Michigan ■ Birmingham, Michigan ■ Lansing, Michigan

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

Application by SBC Communications Inc.,
Michigan Bell Telephone Company, and
Southwestern Bell Communications Services,
Inc. for Provision of In-Region, InterLATA
Services in Michigan

WC Docket No. 03-138

To: The Commission

**COMMENTS OF THE COMPETITIVE LOCAL EXCHANGE CARRIER
ASSOCIATION OF MICHIGAN, THE SMALL BUSINESS ASSOCIATION OF
MICHIGAN, AND THE MICHIGAN CONSUMER FEDERATION OPPOSING
SUPPLEMENTAL APPLICATION BY SBC MICHIGAN FOR PROVISION OF IN-
REGION, INTERLATA SERVICES IN MICHIGAN**

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July 2, 2003

TABLE OF CONTENTS

	Page
I. Introduction	1
II. Interests of the Commenting Parties.....	2
III. The SBC Michigan Application Should Again Be Denied	3
A. The Ernst & Young End Run Continues, But The Fact Remains That SBC Michigan Has Failed The BearingPoint Tests	3
1. Use of Ernst & Young Was An Improper End Run Around The Agreed Upon Process	4
2. Use Of Ernst & Young Is A Conflict Of Interest	5
3. By SBC Michigan's Own Admissions, It Has Failed To Pass The Tests For Opening Its Network	6
B. Despite Claims To The Contrary, SBC Michigan Continues To Provide Substandard Service.....	8
C. SBC Michigan Still Cannot Properly Bill UNE-P	10
D. There Still Has Been No Showing That Reciprocal Compensation Is Accurately Accounted For.....	11
E. SBC Michigan Has Not Demonstrated That Its Entry Will Result In Promoting Competition.....	14
1. SBC Michigan Has Not Demonstrated That Early Entry Will Benefit The Public	14
2. SBC Michigan Repeatedly Misleads Regulators And The Public About Its Finances, The Impact Its Entry Will Have On Toll Prices, And CLEC Market Share	16
F. The Michigan Attorney General And The Department Of Justice Concerns Still Have Not Been Addressed	22
IV. CONCLUSION	24

**COMMENTS OF THE COMPETITIVE LOCAL EXCHANGE CARRIER
ASSOCIATION OF MICHIGAN, THE SMALL BUSINESS ASSOCIATION OF
MICHIGAN, AND THE MICHIGAN CONSUMER FEDERATION OPPOSING
SUPPLEMENTAL APPLICATION BY SBC MICHIGAN FOR PROVISION OF IN-
REGION, INTERLATA SERVICES IN MICHIGAN**

The Competitive Local Exchange Carriers Association of Michigan (“CLECA”), the Small Business Association of Michigan (“SBAM”), and the Michigan Consumer Federation (“MCF”) file these comments opposing SBC’s June 19, 2003 application with the Commission for provision of in-region, interLATA services in Michigan.

I. INTRODUCTION

This matter arises out of SBC Michigan’s application of January 16, 2003. SBC Michigan was forced to withdraw that application on April 16, 2003. Then, on June 19, 2003, SBC Michigan filed a supplemental application to which these comments are addressed.

There is a saying that “the more things change; the more they remain the same.” That saying rings true for the continuing saga of SBC Michigan’s faulty efforts to comply with the competitive checklist in Michigan. What changes, and then only slightly, are SBC Michigan’s rationales for obtaining Section 271 approval. What stays the same is that SBC Michigan still fails to comply with the requirements to open its network to competition.

SBC Michigan’s supplemental filing concentrates on three areas where it claims it has improved: SBC Michigan cites to an Ernst & Young report and purports to indicate that there are no contradictions between Ernst & Young’s findings and BearingPoint’s findings, claims that the Change Management Communications Plan has been successfully implemented in Michigan, and claims that the Carrier Access Billing System, while it had some growing pains, now works and generates accurate bills. SBC Michigan also points to alleged increased local competition

and claims that problems with line loss notifications and post-to-bill notifiers have been corrected.

Once again, nothing has really changed except that SBC Michigan has filed yet another application without correcting the underlying problems with its network. SBC Michigan again tries to end run its inability to pass the BearingPoint tests by pointing to yet another “audit” report by its financial auditing firm, Ernst & Young, a firm already in trouble for mixing auditing with consulting services. In addition, there is no indication that the CABS system is yet producing accurate billings. Indeed, SBC Michigan had a golden opportunity to seek CLEC input and rigorous testing on that system during the interim between applications and failed to do so.

There is no indication that SBC Michigan has in any way changed its approach and acted to actually improve its services. Until real improvement and change, and until the BearingPoint tests have been successfully completed, this application should be denied.

II. INTERESTS OF THE COMMENTING PARTY

The CLEC Association of Michigan (“CLECA”), formed in December of 1999, is an association of competitive local exchange carriers (“CLECs”) providing telecommunications services in competition with the incumbent local exchange carriers in Michigan. CLECA members currently include more than fifteen operating CLECs in the State of Michigan, as well as supporters of the CLEC industry. CLECA’s members are all telecommunications services providers (or organizations comprised of providers) that compete with the local telephone services offered by SBC Michigan.

The Small Business Association of Michigan (SBAM) is a statewide trade association representing 7,000 small businesses in Michigan. SBAM's primary mission is to promote free enterprise and the interests of Michigan small businesses through leadership and advocacy.

The Michigan Consumer Federation ("MCF") is a non-profit consumer advocacy organization formed in 1992. It is the largest grassroots consumer advocacy group in Michigan. MCF represents consumer interests before the Michigan Legislature, the United States Congress, and before proceedings of state and federal regulatory agencies. MCF is a member organization of the Consumer Federation of America, the country's largest consumer coalition with nearly 300 member groups throughout the country. MCF has approximately 10,000 dues-paying individual members throughout the state of Michigan. MCF's members are served by a variety of local telephone providers, but are largely congregated within the SBC Michigan service territory.

III. THE SBC MICHIGAN APPLICATION SHOULD AGAIN BE DENIED

A. The Ernst & Young End Run Continues, But The Fact Remains That SBC Michigan Has Failed The BearingPoint Tests

In this supplemental application, SBC Michigan again relies on yet another report by its financial auditors, Ernst & Young. The significance of the end run is twofold. First, it contradicts an agreement that SBC Michigan made to adhere to military style tests by a mutually agreed-to independent party. Second, the very use of Ernst & Young should be suspect given the conflict of interest Ernst & Young has as SBC Michigan's financial auditors. Third, SBC Michigan's own brief, when listing the independent tester's findings, reads as a brief that should itself lead to dismissal of the application as premature.

1. Use of Ernst & Young Was An Improper End Run Around The Agreed Upon Process

Some background is necessary on the first point. In February 2000, the MPSC initiated a collaborative process with CLEC input to try to resolve issues regarding SBC Michigan's compliance with the competitive checklist and to iron out deficiencies with SBC's OSS.¹ When the collaborative process began, the MPSC, SBC Michigan, and the CLECs agreed to use BearingPoint (then KPMG) to conduct rigorous, military-style tests to assure that SBC Michigan complied with the Business Rules and the Performance Measures, so that SBC Michigan could submit three months of data showing its compliance prior to obtaining MPSC endorsement of its upcoming bid for Section 271 approval from this Commission.

By mid-2002, SBC Michigan concluded that BearingPoint's approach was not fast enough generally, and, in particular, that SBC Michigan was unlikely to obtain a passing grade from BearingPoint on several performance measures.

As a result, like the child that wants to change the rules halfway through a game when it looks like he is losing, SBC sought to change the rules partway through this process by bringing in a new umpire: its own financial auditor, Ernst & Young. Make no mistake, Ernst & Young was brought in for only one reason: to end-run the BearingPoint report and speed its own attempt at Section 271 approval without the previously agreed to successful BearingPoint testing.

SBC's outrageous act of bringing in Ernst & Young as an end-around of the regulatory process shows its clear intent to juice the process rather than actually work to fix its remaining problems. If this is the way SBC acts in Michigan while it is trying to convince regulators to support its case for Section 271 approval, CLECA shudders to think how SBC will act following granting of the Section 271 application, when the regulatory process has very little power to

¹ The case was docketed as MPSC Case No. U-12320.

force SBC to actually clean up its act. And, this was the first time, in any state in any Section 271 proceeding, that a Regional Bell company tried to bring in its own teacher to grade its test paper. The Commission should not reward failure. The Commission should deny relief, and tell SBC not to re-apply for at least one year and not until all the tests are completed successfully.

2. Use Of Ernst & Young Is A Conflict Of Interest

SBC Michigan has never adequately addressed the issue of its use of Ernst & Young's consulting arm to verify its performance measures while it also uses E&Y's services as its financial auditor. Being the financial auditor for a large company like SBC is a plum for an accounting firm. The pressure on E&Y to issue favorable reports on performance measures is thus formidable so as not to in any way jeopardize the lucrative financial auditing side of the business. And, make no mistake, while E&Y and SBC Michigan may call it an audit, E&Y is being used not to review financial figures but to make a substantive analysis of whether the company is complying with business rules and substantive performance measures. That is consulting, not auditing in the normal sense of the term.

Ernst & Young has had problems keeping the two functions straight. As recently as May 2003, the SEC has brought into question E&Y's ability to remain independent from the companies for which it conducts financial audits. The SEC is seeking to bar E&Y from taking on new public company audit clients for six months for what the SEC has characterized as violating an accounting firm's duty to remain independent from companies it audits.²

The reason for separating the types of behavior being addressed by the SEC is the same reason why the E&Y results are inherently suspect in this case: it is a conflict of interest. The

² Hilzenrath, *SEC Staff Seeks Sanctions Against Ernst & Young*, Washington Post, Thursday, May 29, 2003, Page E01. [Copy of article attached as Attachment 1.]

entire concept of the Ernst & Young audit as support for 271 approval should be rejected by the Commission, and the report therefore should be given no weight on that basis alone.

3. By SBC Michigan's Own Admissions, It Has Failed To Pass The Tests For Opening Its Network

To read SBC Michigan's "spin" on the testing, one would be deceived. Indeed, a close reading of SBC Michigan's own brief actually serves to undermine its own case. Much of SBC Michigan's brief could be used verbatim in an argument against granting the application.

As SBC Michigan frames the issue at page 5 of its June 19, 2003 brief, is "whether it makes any difference to the reliability of SBC's reported performance measurement results that BearingPoint is continuing to perform its review of the same performance measurement system E&Y has already found to be accurate and reliable." SBC Michigan concludes that it makes no difference unless there are material differences. SBC Michigan then goes on to show material differences but then simply dismisses them as not being material. Such a flimsy defense for the indefensible should be rejected by this Commission.

As reported on page 6 of its brief, SBC Michigan's performance in the BearingPoint tests is anything but stellar. SBC Michigan admits that only 46.3% of BearingPoint's test criteria have been satisfied as of April 2003. SBC Michigan "spins" this as being an improvement from October 2002, but the fact remains that SBC Michigan has still satisfied less than half of the test criteria. How that can be considered to be not "material" boggles the mind. It has even less to do with whether the testing supports the E&Y findings.

There are other examples in SBC Michigan's brief of where SBC Michigan is in fact failing the BearingPoint testing, including:

- April 2003 draft report on Metrics Data Integrity Test, only 12.5% of the test criteria are satisfied; the rest are either indeterminate or not satisfied and in retest.
- April 2003 draft report on Metrics Calculations and Reporting (PMR5); only 37.5% of the test criteria have been satisfied, with the rest either indeterminate or not satisfied or in retest or the subject of a dispute.

SBC Michigan further admits, at page 6 of its brief, that it had E&Y use a less rigorous materiality standard of 5% rather than the 1% used by BearingPoint under the testing plan approved by the parties. Use of a materiality factor of 5 times less magnitude is the same as “fudging” the results and making failure under the testing plan somehow passing in the report to the Commission. Clearly, this is changing the rules midstream because SBC Michigan simply cannot, or does not want to, correct its systems and pass the tests in the manner in which it previously agreed. This must not be allowed.

SBC Michigan argued at page 6 of its brief that E&Y tested on later data than BearingPoint, after making corrections found to be necessary by E&Y, and that is one reason the BearingPoint results are bad. That is not the point. The point of the BearingPoint tests was to assure that SBC Michigan’s network is irreversibly open to competition, and the BearingPoint tests were to be rigorous and to allow 3 months of compliant data. Now, SBC Michigan does not want to pursue that testing. Either SBC Michigan has concluded it cannot provide 3 months of compliant data, or it does not want to do so because it thinks it can obtain Section 271 approval without ever complying. If SBC Michigan in fact made corrections to its systems in light of E&Y’s findings, the correct path is to let BearingPoint test those corrections before Section 271 authority is granted.

Moreover, the fact that current months data has not yet been tested by BearingPoint hardly bolsters the E&Y report. The logic is ridiculous, with SBC Michigan in effect saying that “E&Y found A; BearingPoint has not looked for A yet; therefore BearingPoint’s results do not contradict E&Y.” That simply is not the case, and is a meaningless comparison. BearingPoint results do not run counter to the E&Y results. BearingPoint should be allowed to finish its job, and the current application should be denied as premature.

B. Despite Claims To The Contrary, SBC Michigan Continues To Provide Substandard Service

Each year, the FCC compiles service data for SBC Michigan and all the other Bell companies in the U.S. The most recent data is for the calendar year 2001. The data is available at the FCC’s website, www.fcc.gov. One key measure is the length of time to fix a repair problem, the “Initial Out-Of-Service Repair Interval”. The FCC’s results for 2001 show SBC Michigan at an average of 36.1 hours, as compared to 22.7 hours for all of Ameritech, 19.2 hours for BellSouth, 14.1 for Qwest, 23.6 hours for SBC’s Southwestern Bell, and 21.2 hours for Verizon.

Often, problems don’t seem to get fixed the first time around. So the FCC also measures “Repeat Out-Of-Service Report Intervals”. For 2001, SBC Michigan was at 37.1 hours, versus 23.5 hours for all of Ameritech, 20.8 BellSouth, 15.8 Qwest, 24.3 Southwestern Bell, and 23.2 hours average at Verizon.

The length of time for a Bell company to complete phone installations is also very important. The FCC data for the most recent year, 2001, show SBC Michigan at 2.0 days average, compared to 1.2 days for BellSouth, 0.8 days for Qwest, 1.0 days for SBC’s Southwestern Bell, and 1.2 days average for Verizon.

The FCC also measures State Complaints against Bell companies by customers. To make the results comparative, they measure State Complaints per 1 million lines. For the most recent year, 2001, SBC Michigan had 425 complaints per million lines, as contrasted with 232 for BellSouth, 228 for Qwest, 181 for all of SBC, and 185 for Verizon. SBC Michigan had over twice the complaint average as for the Bell companies overall: the overall Bell number was 195 complaints per 1 million lines.

The FCC also conducts an annual Customer Satisfaction Survey, measuring customer satisfaction regarding installation, repair, and customer interactions with the telephone company's business office personnel. This survey is done for each of residence, small business, and large business customers. For the most recent study year, 2001, the FCC's Customer Satisfaction Survey, of Residence customers regarding installation performance, showed 14.35% of SBC Michigan customers dissatisfied, as compared to 11.15% at BellSouth, 6.4% at Qwest, 7.99% at Southwestern Bell, and 4.81% at Verizon.

As to how residential customers for 2001 felt about telephone company repair performance, 19.22% of SBC Michigan customers were dissatisfied, contrasted with 17.59% dissatisfied at BellSouth, 10.00% at Qwest, 11.67% at Southwestern Bell, and 13.44% at Verizon. Concerning residence customers and the business office, 15.65% of SBC Michigan customers were dissatisfied, versus BellSouth at 13.2%, Qwest at 3.2%, Southwestern Bell at 8.4%, and Verizon at 6.71%.

What about small business customers? As to installations, 14.68% of SBC Michigan users were unhappy, versus 9.36% BellSouth, 14.7% Qwest, 10.38% Southwestern Bell, and 9.8% Verizon. On repairs, 15.72% of SBC Michigan were dissatisfied, versus 9.91% BellSouth,

9.8% Qwest, 8.42% Southwestern Bell, and 11.38% Verizon. Business office: 15.72% SBC Michigan, 12.95% BellSouth, 6.7% Qwest, 9.38% Southwestern Bell, and 9.74% Verizon.

For large business customers and 2001, the FCC shows a similar pattern. Installations, 17.86% SBC Michigan dissatisfied, contrasted with 7.99% BellSouth, 10.5% Qwest, 6.75% Southwestern Bell, and 5.62% Verizon. Repairs: 18.31% SBC Michigan, 6.97% BellSouth, 9.9% Qwest, 6.21% Southwestern Bell, and 6.41% Verizon.

SBC takes four times as long to fix a CLEC problem in Michigan as it does on its own repair problems, as demonstrated by LDMI affidavits, yet the MPSC never took SBC to task for this, never investigated it, and has done nothing to fix it.

Consider the following testimony at the November 25, 2002 hearing by Patrick O'Leary, CEO of LDMI Telecommunications:

"Honest mistakes happen [but with SBC Ameritech] there are far too many... my company now employs fifty individuals whose essential job title is 'SBC fixer'. Let me repeat that. At a cost of \$2 million per year, we employ 50 full-time employees to repair SBC billing errors, to contact customers put out of service by SBC, and to contact those delayed by SBC service turnups. More than 1,000 times this year alone, SBC closed out an LDMI trouble ticket without fixing the problem, resulting in grief and incalculable losses for us and for Michigan businesses."³

Michigan customers know well that they continue to get lousy service from SBC while having the highest profits in the country. This substandard service should not be rewarded with a premature Section 271 approval.

C. SBC Michigan Still Cannot Properly Bill UNE-P

Despite its claims of a state of the art OSS, and its claims that CABS billing problems were addressed last year and were just growing pains, nothing has really changed. SBC

³ Transcript, MPSC Case U-12320, November 25, 2002 Hearing, p. 5938.

continues to err in its billing systems for UNE-P. CLECA member LDMI reported to the MPSC on numerous UNE-P billing errors that were still outstanding in December 2002. LDMI reported that in no area has SBC provided even a basic level of accuracy at any level, at any time. Some of the illustrated errors include:⁴

- Over 58% of billing entities are billed incorrectly.
- All errors include overbilling; none involve underbilling.
- The overall trend is that errors are increasing, not decreasing, indicating that the OSS has gotten worse.
- Billing errors include billing for lines in other states that are not even leased by the CLEC.
- Billing errors include billing for lines in a non-existent area code.

SBC is also in the process of notifying CLECs in Michigan that it intends to backbill millions of dollars of UNE-P billing going back about 18 months, all based on errors in its own systems.⁵ The continual errors clearly indicate that SBC has flunked the OSS tests on UNE-P billing accuracy, and therefore the FCC should tell SBC to withdraw the 271 application on this item alone until SBC Michigan can have these systems independently tested.

D. There Still Has Been No Showing That Reciprocal Compensation Is Accurately Accounted For

SBC claims in its brief that it is “undeniable” that it has met all 14 checklist requirements. At pages 86-87 of its brief, SBC claims that it “has implemented processes accurately to account for such traffic and compensation.”

⁴ See Affidavit of Mike Gleason, previously provided by LDMI to the MPSC, included as Attachment 2.

⁵ See SBC Ameritech Accessible Letter CLECAM02-509, November 21, 2002, included as Attachment 3.

This is simply not correct. First, there has been no comprehensive testing of reciprocal compensation. And for good reason. SBC would flunk any such test.

BearingPoint/KPMG did not test Ameritech's Reciprocal compensation performance. On August 16, 2002,⁶ SBC sent LDMI, a CLECA member, a letter, indicating their Reciprocal compensation billing was all screwed up, and would have to be corrected. Since then, it has still NOT been corrected. Ameritech has flunked the test on Reciprocal compensation, and for this reason alone, per the Telecom Act of 1996, Section 271 approval must be denied.]

LDMI was not the only CLEC to have been contacted by SBC concerning its Reciprocal Compensation billing error. TelNet Worldwide was also told of the error, as was Bullseye Telecom: Bullseye's letter was dated August 20, 2002. CoreComm received a similar letter from Ameritech, dated September 19, 2002. CoreComm provided a written response to Ameritech on October 4, 2002, directing that all additional correspondence pertaining to the commencement of back-billing be sent directly to the office of James Webber, Director – External Affairs. However, as of December 12, 2002, Mr. Webber indicated it had not seen any such correspondence, nor was aware of anyone on his staff who had.⁷

This is what the August 16, 2002 letter from SBC SBC Michigan to LDMI said: "SBC Michigan recently discovered a billing discrepancy relating to certain calls originating from UNE P's (or unbundled local switching with shared transport a.k.a. ULS-ST) purchased from SBC Michigan. For local calls that originated from CLEC end-users being served by UNE-P and that were terminated to SBC Michigan, SBC Michigan was not billing reciprocal compensation rates for that termination as applicable in the interconnection agreements or via the Local Exchange Tariff. Effective August 1, 2002, SBC Michigan has implemented the appropriate modifications

⁶ See "August 16 letter" email dated August 22, 2002, Attachment 4.

⁷ See Attachment 5, an email from James Webber of December 11, 2002.

to its billing system to bill reciprocal compensation for this traffic being terminated by SBC Michigan; the invoices you receive subsequent to this notice will include the billing for this terminating traffic. SBC Michigan will also adjust and provide a statement for past, unbilled amounts related to this traffic pursuant to the terms contained in your interconnection agreement. A separate notice will accompany this one-time true-up charge. If you have any questions pertaining to this billing correction, please feel free to contact me." The letter was signed by LDMI's Ameritech account manager. Even if SBC Ameritech had fixed the problem, it would have demonstrated that SBC Ameritech had flunked the test on Checklist item 13, Reciprocal Compensation. But SBC Michigan has *never fixed the problem*.

The "appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by SBC Michigan" apparently was NOT implemented "effective August 1", and "the invoices you receive subsequent to this notice" have NOT included "the billing for this terminating traffic."

SBC Michigan has been mysteriously silent on the whole issue of Reciprocal Compensation since the time of the August 16, 2002 letter to LDMI. A possible reason: they recognized they had flunked this item on the Checklist, and thus had flunked the "271" overall; they did not want to draw undue attention to the issue.

Clearly, SBC has flunked Checklist Item 13, Reciprocal Compensation. The evidence submitted by LDMI, bolstered by an email from another CLEC, shows that in August 2002 SBC Ameritech sent a letter to Michigan CLECs using UNE-P, acknowledging they had a major screw-up on reciprocal compensation, and would be backbilling a year for their error. They said revised bills would be issued within two months, but they never were, and still haven't been. LDMI and, to CLECA's knowledge, other CLECs using UNE-P, have never been paid reciprocal

compensation by SBC Michigan, as required by the clear language of federal telecom act. Under these circumstances, it is inconceivable that this Commission can find anything other than that SBC has failed to meet Checklist Item 13.

E. SBC Michigan Has Not Demonstrated That Its Entry Will Result In Promoting Competition

1. SBC Michigan Has Not Demonstrated That Early Entry Will Benefit The Public

SBC Michigan says the granting of the Section 271 application will result in better value for local phone service. This is at best speculation, and at worst misrepresentation. Evidence suggests that only SBC benefits from a premature grant of 271 authority, while all competing local carriers are harmed by premature entry. To the extent that all competition is harmed, the public itself is harmed as well.

An analysis directly contrary to that of SBC can be obtained by analyzing the ARMIS financial and statistical data which SBC and the other RBOCs must file annually into the FCC's ARMIS database.⁸ This data shows that SBC's local telephone prices in Michigan, over the last ten years, have increased more than other RBOCs around the country. Over the last ten years, SBC Michigan's local services revenues per line have grown by over 38%, as compared to just 20% for the other four Ameritech region states. This compares to a 25% increase in the Qwest states, 22% in PacBell/SNET, and an actual REDUCTION of 7% in the Verizon states.⁹

But the FCC has another historical database against which objective comparisons on local telephone service prices can be made: compiled data on monthly residential local telephone rates

⁸ See Exhibit ARMIS 1, which is enclosed as Attachment 6.

⁹ FCC, ARMIS database (available at FCC's website), ARMIS 43-03, Table I, Account 5000, local services revenue; ARMIS 43-08, Table II, total switched access lines.

in almost 100 cities around the U.S., known as the FCC's "sample cities".¹⁰ The FCC obtains the local phone prices in each of the sample cities on October 15 of each year, and the annual data has been maintained at least for the years of 1991 through 2001 inclusive. Rates include prices of the local residential phone line, touch-tone service, surcharges, 911 charges and taxes. There are three Michigan cities on the list (a reasonable number, since Michigan represents 3%-4% of the U.S. population): Detroit, Grand Rapids and Saginaw, all three of which are SBC Michigan rate centers.

Prior to the MPSC's January 2003 report to the FCC, CLECA member LDMI compiled comparative data for all the cities on the FCC sample cities list, and associated it with data from the U.S. Census of 2002 for populations of each of those cities, so that appropriate population-weighted average prices could be determined.¹¹ The results: the average local telephone price increase, 1991 to 2001 for the Michigan cities, was 41.7%. This contrasted with an average increase for the cities in the other Ameritech states of 11.3%; and for the cities in the rest of the U.S., of 6.1%.¹² That Ameritech manipulated the Michigan legislature at the beginning of the 1990s and continuing into the late 1990s resulting in relaxed regulation and higher prices, is well known. That SBC Michigan should now be believed when it says that Section 271 approval will result in better value for local phone service would be unwise. Only true, free and vigorous local CLEC services competition can change that, and a premature grant of Section 271 authority when it is clearly not deserved or warranted will dash those hopes forever.

¹⁰ Table 1.4, Reference Book of Rates, Price Indices...for Telephone Service, Industry Analysis and Technology Division, FCC, July, 2002.

¹¹ See Exhibit ARMIS 2, which is included as Attachment 7.

¹² FCC Table 1.4, Reference Book of Rates, Price Indices... for Telephone Service, Industry Analysis and Technology Division, FCC, July, 2002.

2. SBC Michigan Repeatedly Misleads Regulators And The Public About Its Finances, The Impact Its Entry Will Have On Toll Prices, And CLEC Market Share

SBC Michigan has also argued the "271" should be granted, because they will charge lower long distance rates than the competitive long distance carriers do, and save Michiganders \$1 billion per year¹³. SBC's claim is nonsense and is completely unsupported by SBC Michigan's history in Michigan regarding intraLATA toll rates. In fact, SBC's toll prices for intraLATA calling are on average about 60% higher than its competitors'. SBC's local phone rates are still high.

And, despite repeated public claims of declining revenues, SBC Michigan's profits are up by 120% over the last decade, at the same time that long distance competitive carriers have reduced their prices by two-thirds over that same time period.

Again, the best place to look is at ARMIS data. ARMIS data indicates that the RBOCs generally have seen a substantial reduction in their intraLATA toll revenues in the last ten years. They have had to cut their price per minute as intraLATA toll competition has arrived, and have experienced further losses as customers have kept their local phone lines with the RBOC but moved their intraLATA toll to a competitor. The results of this were again compiled by LDMI for the MPSC.¹⁴ Over the last ten years, BellSouth's toll revenues per line have declined by 78%, Qwest's by 86%, SWBT's by 70%, PacBell/SNET by 65%, and Verizon by 59%. But SBC

¹³ SBC handout at November 25, 2002 hearing before the MPSC, "SBC Ameritech and 271 Long Distance Approval – Good for Michigan", page 13.

¹⁴ See Exhibit ARMIS 3, "Comparative Toll Revenues Per Line", for SBC Michigan, as contrasted to the rest of SBC Ameritech, to SBC SWBT [Southwestern Bell Telephone Company], to SBC PacBell/SNET, and to BellSouth, Qwest, and Verizon, included as Attachment 8.)

Michigan has seen a toll erosion per line of only 30%, lower than any other RBOC, and lower than the remaining SBC states.¹⁵

What has caused this truly stellar performance in the long distance pricing area by SBC Michigan? (1.) SBC Michigan delayed the implementation of intraLATA dialing parity through years of outrageous court delays; and more importantly, (2.) through a scheme of anticompetitive long-term contracts (AVCP, followed by ValueLink and then by CompleteLink) SBC Michigan has held intraLATA long distance customers captive.¹⁶

And how have these actions been manifested? For the calendar year 2001 -- the most recent FCC data available -- SBC Michigan had toll revenues of \$459 million -- almost half a billion dollars a year. This number, for the state of Michigan alone, was larger than the toll revenues of BellSouth for all nine of its states, combined. It was larger than the toll revenues of SWBT, for all five of its states, combined. And it was almost twice the toll revenues of Qwest, for all 14 of its states, combined. And yet, Michigan represents only 4% of the country's population, and SBC Michigan's monopoly territory only covers 80% of population in Michigan.¹⁷ And, even though SWBT has been granted interLATA toll authority for many of its states, in 2001, SBC Michigan had 27% more toll revenue than for all five SWBT states combined -- despite all that SWBT interLATA toll revenue.

¹⁵ FCC, ARMIS, 43-03, Table I, Long Distance Network Services Revenues (Account 5100); 43-08, II, total switched access lines.

¹⁶ CLECA has asked the MPSC to take action against the anticompetitive CompleteLink contracts of Ameritech, but the MPSC has declined to act. CLECA has asked the MPSC to take action to declare a "fresh look" period in Michigan, but the MPSC has declined to act.

¹⁷ As noted by Ameritech in its former 10Qs and 10Ks, filed quarterly and annually for Michigan Bell Telephone Company with the SEC, through mid-year 1998.

In 2001, per ARMIS, Qwest had average annual long distance revenue per line of \$15.48. The comparable number for SBC Michigan: \$95.51 per line. The figures for the other RBOCs: BellSouth, \$17.12; SWBT, \$25.07; Verizon, \$33.64; the remainder of Ameritech states, \$38.53.

The investment firm of Bear, Stearns & Co. met with SBC management in New York on September 10, 2002. In that meeting, SBC was extraordinarily candid regarding its plans. Specifically regarding SBC's plans on long-distance pricing, Bear Stearns noted the following: "No Anticipation of a Price War in Consumer Long Distance. SBC indicated (and we have observed) that RBOC pricing [of long-distance] is in-line or higher than the IXCs' [CLECs and long distance companies]. Management believes that its ARPU and MOU will be relatively stable as the company penetrates markets where it has section 271 relief."¹⁸

Nor is SBC's track record an indication of lower prices. In Texas in 1991, SBC hiked residential long-distance rates from 9 cents to 10 cents per minute, and upped DSL rates from \$39.99 to \$49.99. The long distance rate hike "highlights the fact that SBC feels they are in control and they can set the price", said Gary Jacobi, an analyst with Deutsche Banc Alex.Brown. Said the Dallas Morning News, "The new rates drew criticism from consumer advocates who said the increases prove that... Southwestern Bell has no credible competitive threat to its consumer business.... Southwestern Bell started selling long distance in July [2000] after persuading the Texas Public Utility Commission and the Federal Communications Commission that the local phone market in Texas was open to competition."¹⁹

¹⁸ Robert Fagin and Mike McCormack, "Highlights From Meeting With SBC Management", Bear, Stearns & Co. Inc. Equity Research, September 10, 2002 (See Attachment 9) [emphasis added].

¹⁹ Vikas Bajaj, Staff Writer, "SBC raises nonlocal call rates", The Dallas Morning News, February 2, 2001. See Attachment 10.

But that wasn't the end of Texas increases. Effective November 2002, local phone rates in 32 SBC Texas cities were increased: residential phone rates now as high as \$11.05 per month, and business rates as high as \$20.65 per month. Additionally, SBC is seeking to apply an additional \$143 million in retroactive price increases.²⁰ Meanwhile, SBC in Kansas in late 2001 raised residential local phone rates an average of \$1.77 per month.²¹ Moving on to Missouri, effective May 2002, SBC increased some business long-distance rates by as much as 40 percent, and increased rates on 120 different phone services like Call Waiting by up to 8 percent.²²

In short, the FCC data shows that SBC Michigan's profit margin is the highest of any Bell company in the nation; that its local phone prices have increased the most in the last 10 years of any Bell company; that its intraLATA toll prices are the highest in the nation, and that SBC is unlikely to offer significant savings to long distance customers. This evidence gives the lie to SBC's claim that getting Section 271 approval will allow it to bring down toll prices in Michigan. The clear import of the record, and SBC's history in Michigan, suggests that there will be no significant benefit to long distance users in Michigan from a grant of Section 271 status to Ameritech.

Nor does SBC Michigan accurately reflect the market share of CLECs when it reports to regulators on the state of competition. For example, the week of March 17, 2003, representatives of SBC were claiming to FCC Commissioners and Staff that the CLECs in Michigan had achieved 35% market share in Michigan. These were verbal claims, not backed up in writing.

²⁰ "Southwestern Bell Raises Local Phone Rates", Public Utilities Commission of Texas News Release, October 24, 2002. See Attachment 11.

²¹ "KCC rebalances long distance access charges and local service rates", Kansas Corporation Commission News Release, September 25, 2001. See Attachment 12.

²² "Southwestern Bell Proposed Tariffs To Take Effect May 6", PSC News, Missouri Public Service Commission, May 1, 2002. (See Attachment 13)

Nonetheless, certain FCC Staff and Commissioners indicated that the claim was impressive, and perhaps a showing that competition was truly working in Michigan.

CLECA believes that the reason SBC Michigan made the claim verbally, and did not back it up with a written submission, was that SBC Michigan knew the claim to be patently false. CLECA representatives met with certain Commissioners and Staff of March 28, 2003, and presented information suggesting it was not possible that SBC's claim of 35% CLEC market share in Michigan was true.

The FCC's Local Telephone Competition Report (June 2003) shows CLECs in Michigan with 21% market share, as of the end of 2002 (Table 6). The similar report of the Michigan PSC, "Report on the Status of Competition in Telecommunication Service in Michigan, June 2003", shows CLECs overall with a 21.7% market share at the end of 2002 (report, page 3), and that CLECs at the end of 2002 has approximately 25.7% market share in SBC territory in Michigan (report, page 4).

However, the staff of the Michigan PSC privately concedes that the conclusions as to market share are only as good as the data provided by the carriers, and that the numbers supplied by SBC Michigan in the last few years may be suspect. The Michigan PSC's report, taken at face value, indicates that the "total number of lines provided" in SBC territory declined precipitously between year-end 2001 and year-end 2002: The SBC-only total for 2001 was 5,071,300 lines, and for 2002, 4,191,771 lines. The CLEC-reported totals respectively are 896,023 lines for year end 2001, and 1,447,176 lines for year end 2002. Even if you attribute all CLEC lines in Michigan to SBC Michigan territory (and ignore those located in Verizon and other Michigan-served areas), the combined SBC Michigan plus CLEC totals are 5,967,323 lines

for year-end 2001, dropping sharply to 5,638,947 lines at year-end 2002. Where did all the “missing” phone lines go?

SBC may say that the “missing” lines have gone to wireless and other alternative providers. But if it is true there has been a precipitous decline in the total number of phone lines in SBC Michigan territory (SBC plus CLECs), one would expect to have seen a similar decline in the territory of Verizon and other Independent LECs in Michigan. But Michigan PSC data shows no such precipitous decline there. The data, for Verizon plus ILECs, shows only a very modest decline, 2002 over 2001. And from the base year of Michigan PSC data, 1999, we see that Verizon plus ILEC lines actually increased: 1,025,196 lines for year ending 1999, as contrasted with 1,029,177 lines for year ending 2002. SBC plus CLEC lines, for 1999 versus 2002, again show a decline.

So we are left to conclude that SBC Michigan has understated its number of lines in Michigan, in order to make the CLEC share appear substantially larger than it actually is, as an inappropriate rationale for 271 approval.

SBC Michigan ARMIS data shows similar concerns. CLECA believes that true competitive market share can be seen from this data. ARMIS data shows SBC Michigan’s total local service revenues reached their all-time high in year 2000, at \$2.898 billion. SBC asserts that CLECs achieved dramatic Michigan local line market share in 2001 and 2002. SBC also asserts that to respond to competition, it has had to cut many local phone prices in Michigan, by 30%. The effects of competition and competitive price cuts would show up in SBC Michigan’s 2002 local service revenues, as compared to year 2002.

But the ARMIS data shows the actual decline in SBC Michigan local service revenue was relatively modest: declining from \$1.771 billion in 2002, to just \$1,503 billion in 2002, or a

mere 15.1% decline.²³ This is the **total** decline, of both lost market share **and** reduced SBC Michigan local phone prices.

If SBC has cut local phone prices in Michigan by a significant amount, and competitors have gained dramatic share as SBC claims, then how can it be that SBC Michigan's local phone revenues in Michigan have only declined by 15% for the total of the two years of Michigan CLEC inroads?

SBC has not been truthful with the FCC about this issue. They have not been truthful in claiming that billing and other OSS problems in Michigan have been resolved. The granting of a Section 271 to SBC Michigan is therefore premature.

F. The Michigan Attorney General And The Department Of Justice Concerns Still Have Not Been Addressed

In response to the January 16, 2003 application, Docket 03-16, which SBC Michigan has included in its own supplemental filing, the Michigan Attorney General raised issues as to the conditions that should be required for a grant of Section 271 authority. For example, the Michigan Attorney General stated:

Specifically, the Michigan Attorney General notes that the current uncertainty over the continued availability of the unbundled network elements – platform (UNE-P) raises the spectre of a reduction of competition in the local exchange market in the foreseeable future. UNE-P service arrangements offer a solution to prohibitive co-location costs and allow competitive local exchange carriers (CLEC) to mirror the flexibility of a self-provided switch. With the UNE-P, CLECs in Michigan are able to lease both the subscriber loop and the switching functions from SBC, and have SBC physically interconnect these separate functions to form a working “dial tone” without requiring a CLEC co-location presence in SBC's central office. Many of the CLECs operating in Michigan, if not all, use UNE-P as the primary method by which they serve residential customers. Indeed, as Table 1 below shows, 66.76% of CLEC residential and

²³ SBC Michigan ARMIS filing of year end 2000 and 2002 data, filed on 4/1/03, FCC ARMIS Report 43-02, Table I-1, Income Statement Accounts, Row 520.

small business customers in SBC's service territory in Michigan are served over UNE-P.²⁴

The Michigan Attorney General followed up this statement with a table showing how dependent local competition in Michigan is on the UNE-P. He then concluded that "elimination of UNE-P at this juncture would irreparably harm the nascent competition that currently exists in Michigan."²⁵ Yet, SBC wants this UNE-P based competition to serve as the basis for finding the market in Michigan irreversibly open to competition, even as SBC and other ILECs have repeatedly sought to have UNE-P eliminated.

In its supplemental application, SBC Michigan continues to cite figures that show increased competition, but does not adequately the Michigan Attorney General's concerns that the competition is based on the availability of UNE-P, and that the relied-upon increase in competition due to UNE-P will dry up if UNE goes away. Instead, the only real change since SBC Michigan withdrew its application in April and today is that now SBC Michigan has specifically proposed UNE-P rate changes in Michigan some 2 ½ times the current rates and higher than SBC Michigan's retail rates for comparable end user services in some instances,²⁶ an action that would effectively make UNE-P uneconomic and uncompetitive. In addition, the continued availability of UNE-P at all is uncertain until after the MPSC proceedings following issuance of the FCC's Triennial Review Order.

Similar concerns were addressed in the February 26, 2003 evaluation by the United States Department of Justice ("DOJ") in Docket 03-16. The DOJ's evaluation was prefaced with the position that Section 271 approval "should be permitted only when the local markets in a state have been 'fully and irreversibly' opened to competition." The DOJ did not find that SBC had

²⁴ Michigan Attorney General Comments, Docket 03-16, at pp 3-4.

²⁵ Michigan Attorney General Comments, Docket 03-16, at p 5.

²⁶ In MPSC Case No. U-13531, filed May 2, 2003.

met this requirement in Michigan. While the DOJ stated that SBC has made significant strides in opening its Michigan markets, the DOJ expressed serious concerns that progress may not be irreversible, thereby precluding the DOJ from supporting the application. Specifically, the DOJ found that the MPSC's reliance on the aggregate level of entry was insufficient, finding that all three entry tracks – facilities-based, UNEs, and resale – should be open.

Again, the only change since April is SBC Michigan's attempts to make UNE-P uneconomical. Any increase in lines by CLECs in Michigan is due primarily to UNE-P as it is currently available. As such, the level of competition is not relevant in this proceeding unless the market is "fully and irreversibly" open to competition. That is simply not the case in Michigan, especially where UNE-P is in jeopardy. SBC Michigan has done nothing to address these concerns expressed by the Michigan Attorney General and the Department of Justice.

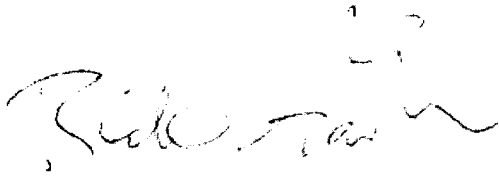
IV. CONCLUSION

The record is clear that SBC Michigan continues to fail the BearingPoint testing. This Commission should not reward such repeated failure, and certainly should not let this record of failure form the basis for accepting the empty promise that SBC will get it right later. Instead, the Commission should require SBC to re-file when (and if) it can finally get its act together, and, based on the frivolousness of this incomplete and noncompliant application, tell SBC not to re-apply for at least one year and not until all the tests are completed successfully.

For the above stated reasons, and for the reasons stated in their initial comments, the undersigned recommend that the Commission deny SBC's Application in its entirety.

Respectfully submitted,

Michigan Consumer Federation



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Dated: July 2, 2003

ATTACHMENT 1

washingtonpost.com

SEC Staff Seeks Sanctions Against Ernst & Young

By David S. Hilzenrath
Washington Post Staff Writer
Thursday, May 29, 2003; Page E01

The Securities and Exchange Commission staff is seeking to bar Ernst & Young from taking on new public-company audit clients for six months for allegedly violating an accounting firm's duty to remain independent from companies it audits.

The accounting firm has denied any wrongdoing in the case, in which it is accused of maintaining an improper business relationship with PeopleSoft Inc. while auditing the software company's books. Ernst reaped \$452 million in fees from 1995 through 1999 from helping other businesses implement PeopleSoft's software, according to Ernst's stipulation of facts in the case.

In a brief filed Friday, the SEC staff also asked the judge to order Ernst to give up the \$1.7 million in fees it received from auditing PeopleSoft over several years, plus interest. The SEC staff also proposed that the ban on new clients be extended beyond six months if Ernst has not demonstrated that its procedures are adequate.

An administrative law judge has yet to rule on the allegations against the accounting firm. After the judge reaches a decision, either side could appeal to the five SEC commissioners.

"Our position will be (a) there's no violation and (b) there is no basis for the imposition of any sort of sanction," said Stephen M. Sacks, an attorney for Ernst.

The case highlights the difficulty the SEC faces when determining appropriate sanctions for major audit firms. The agency does not want to disrupt the businesses that need auditors, an SEC official said.

The collapse of Arthur Andersen in the Enron accounting scandal has made the balancing act even more complicated, leaving the majority of publicly traded companies dependent on only four big audit firms. The choices available to a company seeking a global audit firm may be even fewer, because some of the remaining firms may have business relationships or other conflicts of interest that prevent them from taking on a particular client.

The SEC has the power to ban accounting firms from auditing public companies, but using that power against a major audit firm could jeopardize the ability of thousands of companies to file audited financial statements as required.

"You don't want to force all those clients to scurry out and find somebody new for something the clients are innocent of," an SEC official said. "You don't want to do anything that cuts down too much" on the options for companies that need auditors, the official said.

However, the action should be strong enough to "wake the people up at Ernst & Young that they've got a serious problem that they have to deal with," the official added.

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ATTACHMENT 2

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion,)	
to consider AMERITECH MICHIGAN's compliance)	
with the competitive checklist in Section 271 of)	Case No. U-12320
the Federal Telecommunications Act of 1996.)	
)	

AFFIDAVIT OF MIKE GLEASON

Mike Gleason, being duly sworn, deposes and says that:

1. My name is Mike Gleason. I am the Manager for Access Management for LDMI Telecommunications. My business address is 8801 Conant Street, Hamtramck, MI 48211-1403. In my position I deal directly with the rate elements and billing of UNE-P products that LDMI purchases from SBC Ameritech Michigan.

2. I have personal knowledge of the facts contained herein, except as to matters stated as being based upon information and belief, and as to these matters, I believe them to be true. If called as a witness, I can competently testify to the matters stated herein.

3. The purpose of my affidavit is to refute allegations that SBC Ameritech Michigan has successfully passed the OSS tests in Michigan, with respect to billing accuracy, as provided to CLECs.

4. In my opinion, based on my experiences in dealing with Ameritech Michigan billing over the last two years or more, in no area have they provided sufficient accuracy. We have, unfortunately, been forced to engage in billing disputes regarding local resale, directory assistance, UNE-P and other areas of billing. In none of these areas has Ameritech Michigan provided even a basic level of accuracy, at any time.

5. This affidavit will focus on LDMI's main area of local billing, that of UNE-P, for several reasons. First, UNE-P is the principal local service of Ameritech Michigan utilized by LDMI. Second, I don't want to make this affidavit longer than it needs to be, by listing each and every billing error on every portion of our service. And third, because you will see that the Ameritech Michigan billing errors on UNE-P to LDMI are so significant and serious that going further would serve no purpose.

6. The attached spreadsheet, Exhibit 1 to my affidavit, describes Ameritech Michigan's UNE-P billing errors. The Exhibit describes the Ameritech Michigan UNE-P billing to LDMI for the bill dated November 18, 2002.

7. As illustrated in the spreadsheet, LDMI was billed on November 18 for 15 different kinds of local loops, eight different kinds of ports, and six different kinds of per-minute or per-call usage items. This totals 29 different billing items, of which 21 were billed correctly and eight were billed incorrectly. But each of those billing items has anywhere from one to millions of billing quantities assessed against it. And, as the spreadsheet shows, LDMI was billed a total of 120,338,640 billing entities, of which an incredible 69,381,293 were billed incorrectly. So, of the total, some 58.03% were billed incorrectly.

8. It is significant to note that these were not customary errors in the industry, with some items underbilled, and some items overbilled. Each and every one that was in error was overbilled. The most egregious overbilling occurred with ULS-Usage for ULS-ST, per orig & term MOU. This item started to be incorrectly billed in the billing for the month of May 2002.

9. I first reported the ULS-Usage for ULS-ST, per orig & term MOU billing error problem to Ameritech in May of 2002. The problem has recurred monthly ever since then, and I have reported the problem to Ameritech regularly. Ameritech responds with various stories. But last month, they told us the problem had been fixed, and that our November 2002 invoice would be delivered without error. However, the problem was not fixed on the November, 2002 invoice.

10. Nor was this the first billing error on LDMI's UNE-P invoices. LDMI has had significant billing errors from Ameritech since the inception of our UNE-P service, over 18 months ago. It takes months and months after we report errors for Ameritech to respond to them, and by the time they fix a problem, many other problems have developed.

11. And, over the last year or so, as I have continually reported problems and as Ameritech sometimes after a period of months fixes a problem, the overall trend in the percentage of billing entities billed incorrectly has more than tripled. Ameritech Michigan has not exhibited any incentive or desire to fix the problems. They don't seem to care. All of these problems could be fixed in a matter of days, if Ameritech Michigan really cared about the problems.

12. New problems have surfaced as well. In the last month or so, Ameritech Michigan has begun billing LDMI for UNE-P lines and usage located in the states of Wisconsin and California. This is improper because Ameritech Michigan should only be billing for Michigan UNE-P lines and usage; the lines and usage for the other states should be billed by Ameritech Wisconsin and Pacific Bell, respectively. Moreover, LDMI does not have any UNE-P lines in Wisconsin or California.

13. Another new problem that has surfaced is that Ameritech Michigan has begun billing LDMI for UNE-P lines located in an area code (NPA) that does not exist. These newest problems demonstrate that Ameritech Michigan's OSS systems lack the proper controls, edits and exception procedures to insure that errors of this kind do not continually slip through.

14. Another problem that has surfaced is that Ameritech changes how they attempt to bill reciprocal compensation under UNE-P. This is the text of the August 16, 2002 letter that LDMI received from its Ameritech account manager, disclosing a major Ameritech billing error on UNE-P regarding reciprocal compensation:

"Ameritech Michigan recently discovered a billing discrepancy relating to certain calls originating from UNE P's (or unbundled local switching with shared transport a.k.a. ULS-ST) purchased from Ameritech Michigan. For local calls that originated from CLEC end-users being served by UNE-P and that were terminated to Ameritech Michigan, Ameritech Michigan was not billing reciprocal compensation rates for that termination as applicable in the interconnection agreements or via the Local Exchange Tariff. Effective August 1, 2002, Ameritech Michigan has implemented the appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by Ameritech Michigan; the invoices you receive subsequent to this notice will include the billing for this terminating traffic.

"Ameritech Michigan will also adjust and provide a statement for past, unbilled amounts related to this traffic pursuant to the terms contained in your interconnection agreement. A separate notice will accompany this one-time true-up charge."

"If you have any questions pertaining to this billing correction, please feel free to contact me."

This completes my affidavit.

Michael Gleason

Michael Gleason
Manager of Access Management
LDMI Telecommunications, Inc.

Subscribed and sworn to before
me this 26 day of Nov, 2002.

Laura Czarnowski
Notary Public

LAURA CZARNOWSKI
Notary Public, Wayne County, Michigan
My Commission Expires Dec. 26, 2005

My commission expires: _____

ATTACHMENT 3



Date: **November 21, 2002**

Number: **CLECAM02-509**

Effective Date: **January 2003**

Category: **UNE/UNE-P**

Subject: **(BILLING) Explanation of Billing Database Reconciliation and Changes to the CSR Content for the UNE-P Accounts in the Ameritech States**

Related Letters: **CLECAM01-148,**
CLECAM01-189, CLECAM01-236,
CLECAM01-397, CLECAM01-017,
CLECAM01-163

Attachment: **No**

States Impacted: **Ameritech Region**

Response Deadline: **NA**

Contact: **Account Manager**

Conference Call/Meeting: **NA**

This Accessible Letter provides an update to Accessible Letters **CLECAM01-148** dated May 18, 2001, **CLECAM01-189** dated June 29, 2001, **CLECAM01-236** dated August 13, 2001 and **CLECAM01-397** dated December 19, 2001, **CLECAM02-017**, dated January 11, and **CLECAM02-163**, dated April 26, 2002.

This is to advise you that SBC Ameritech will perform a reconciliation of the CABS billing database for UNE-P during the month of January 2003. This reconciliation is a post-implementation, quality assurance validation process to ensure synchronization of the CABS billing and provisioning databases. At the same time, we will also add the non-billable features back to the CABS Customer Service Records (CSRs).

Please note that, as explained in Accessible Letter **CLECAM02-163** dated April 26, 2002, SBC Ameritech removed non-billable UNE-P feature codes from CABS in June, 2002. SBC notified CLECs that the removal of these was temporary. The removal of these features should not have interfered with your ordering or provisioning processes but did assist SBC Ameritech with more expeditious updating of CABS.

The process that will be used to re-populate the non-billable UNE-P features will also allow SBC Ameritech to validate and reconcile data between SBC Ameritech's provisioning and billing databases to further ensure accurate billing. Should circuits be added or deleted from your accounts, appropriate Other Charges and Credits (OC&C) Statements will be generated to properly reflect the billing. UNE-P CABS bills generated after the reconciliation will reflect these OC&C Statements, as well as the non-billable features on the accompanying Customer Service Record.

The Account Managers will be contacting impacted CLECs beginning in December 2002, to discuss the estimated financial impact of this reconciliation as well as effective dates for updated bills. Please contact your Account Manager with any specific questions or concerns regarding the process. The Local Service Center will continue to serve as your single point of contact for issues related to the bills themselves.

ATTACHMENT 4

E-mail from: Jerry Finefrock [jfinefrock@ntr.net] Date: Thu 8/22/02 4:30 PM

TO: Siegel, Jordana; 'John Kern'; 'Vanderpol, Rebecca L - NCAM';
'Trabaris, Douglas W (Doug) - LGA'; 'Sherry Lichtenberg'; 'Tom O'Brien';
'Samonek, JoAnne C - NCAM'; 'Moore, Karen W - NCAM'; 'Timothy M Connolly';
'Pete Gardon'; 'Pete Jahn'; 'Patti Coughlan'; 'Shane Kaatz'; 'Nick Jackson';
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jncuyuga@icc.state.il.us; RMaur@Talk.com; jtruhn@talkamerica.com;
pam.engle@coi.net

CC: Morreale, Carla; Hawkins, Robert; Walker Jr., Andrew M; Gorfing, Eugene;
Casey, Christopher (US/Tyson's Tower); Salisbury, Emily; Mielert, Peter T;

Eringis, John E; Doerr, Briana; Chang, Susie; Merritt, Kevin; Kim, Young K; Mayer, Robert H; McAvoy, Jocelyn H; Yu, Lisa; Martinez, Anita D; Chick, Sidney J; Howard, Vance B; Hotz, Janet R; Woodhouse, Richard W; Moorin, H. Howard; Prendergast, John; Rowley, Bryan D; Leach, Eric; Araujo, Roberto; mwilliam@ldmi.com; Carmelina Antonuccio; Harriet Kirshman; Mark Wayne; David Bailey; Mike Mahoney; Glenn Moore; Sharyn Mooney; Chris Rice

Subject: Follow-Up to CLEC Face-To-Face Meeting

To: Jordana Siegel, KPMG
Staffs, MI, OH, IL, IN and WI Commissions

From: Jerry Finefrock, LDMI Telecommunications

Jordana and Commission Staffs,

I regret that based on a family illness, I was unable to attend the CLEC face-to-face meeting today in person.

Attached is an LDMI presentation on OSS problems faced by Business UNE-P CLECs in the Ameritech region, which we would have wished to present in person.

I am in hopes in particular the Commission Staffs can read that LDMI presentation, which points up the significant OSS difficulties which continue unabated on Ameritech business UNE-P services. While many residential UNE-P lines are now being turned up, the vast majority of business customers in Ameritech territory still are unable to enjoy competitive opportunities. Half of all telephone lines in Ameritech territory are business lines. Small and medium-size businesses are the lifeblood of our economy, and excellent candidates for UNE-P, but continuing problems on business UNE-P stand in their way. These are problems which need Ameritech attention and resolution before any 271 is granted.

I mentioned during the CLEC-to-CLEC discussion today the August 16 letter to LDMI from Ameritech, disclosing a major Ameritech billing error on UNE-P, regarding reciprocal compensation. This is the text of that letter, written by LDMI's Ameritech Account Manager:

"Ameritech Michigan recently discovered a billing discrepancy relating to certain calls originating from UNE P's (or unbundled local switching with shared transport a.k.a. ULS-ST) purchased from Ameritech Michigan. For local calls that originated from CLEC end-users being served by UNE-P and that were terminated to Ameritech Michigan, Ameritech Michigan was not billing reciprocal compensation rates for that termination as applicable in the interconnection agreements or via the Local Exchange Tariff. Effective August 1, 2002,

Ameritech Michigan has implemented the appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by Ameritech Michigan; the invoices you receive subsequent to this notice will include the billing for this terminating traffic.

"Ameritech Michigan will also adjust and provide a statement for past, unbilled amounts related to this traffic pursuant to the terms contained in your interconnection agreement. A separate notice will accompany this one-time true-up charge."

"If you have any questions pertaining to this billing correction, please feel free to contact me."

This letter did not arrive at LDMI until August 21. We regret that Ameritech did not inform us or the industry sooner that they had discovered the problem, since they clearly had to have known about it some time ago, in order to have adjusted billing effective August 1. We also regret that they did not inform KPMG or the Commission Staffs. One would have to assume that with this problem in mind, it would be difficult for Ameritech to show it had successfully met this portion of the KPMG Michigan OSS testing of the January to March time window, or even of the March and onward drive-by "audit" of Ernst & Young.

Thank you.

Jerry Finefrock
Senior Director, Regulatory Affairs
LDMI Telecommunications
8801 Conant St., Hamtramck MI 48211
Direct 313-664-2340 Cell 248-840-2896
Fax 877-858-5364 Email jfinefro@ldmi.com

ATTACHMENT 5

-----Original Message-----

From: Webber, James [mailto:James.Webber@corecomm.com]

Sent: Wednesday, December 11, 2002 3:52 PM

To: Jerry Finefrock (E-mail)

Subject: FW: Urgent: Need Your Help -- Ameritech Failure to Meet "Reciprocal Compensation" Checklist Item, Michigan 271

Importance: High

-----Original Message-----

From: Webber, James

Sent: Wednesday, December 11, 2002 2:37 PM

To: 'O'Brien, Thomas'; Jerry Finefrock (E-mail)

Cc: Bennett, Bruce

Subject: RE: Urgent: Need Your Help -- Ameritech Failure to Meet "Reciprocal Compensation" Checklist Item, Michigan 271

Importance: High

Tom and Jerry:

CoreComm received a similar letter from Ameritech which was dated September 19, 2002. CoreComm provided a written response to Ameritech on October 4, 2002, directing that all additional correspondence pertaining to the commencement of backing billing be sent directly to my office. As of today's date, I have not seen any such correspondence. Moreover, I am not aware of anyone on my staff who has.

James Webber
Director - External Affairs
ATX/CoreComm
70 W. Hubbard Street
Suite 410
Chicago, IL 60610
312.445.1163 (phone)
312.445.1232 (fax)

ATTACHMENT 6

Exhibit ARMIS 1, Comparative Local Revenues Per Line

		Local Network Svc Revs 1991 (\$000)	Local Network Svc Revs 2001 (\$000)	Local Network Svc Revs 10-Year Growth	Total Switched Access Lines 1991	Total Switched Access Lines 2001	Local Network Svc Revs 1991 Per Line	Local Network Svc Revs 2001 Per Line	Local Network Svc Revs Growth Per Line
Qwest	AZ	\$536,921	\$1,022,990		1,844,449	2,892,059			
Qwest	CO	\$580,375	\$1,086,359		1,908,432	2,784,640			
Qwest	ID	\$87,207	\$201,995		381,835	580,439			
Qwest	MT	\$90,616	\$142,649		319,734	382,202			
Qwest	NM	\$185,094	\$294,537		612,146	869,293			
Qwest	UT	\$184,433	\$372,617		751,664	1,088,465			
Qwest	WY	\$54,953	\$106,901		220,204	265,631			
Qwest	IA	\$232,269	\$305,844		905,819	1,122,204			
Qwest	MN	\$514,459	\$756,425		1,794,687	2,230,350			
Qwest	NE	\$142,349	\$214,871		466,313	464,828			
Qwest	ND	\$62,290	\$78,188		261,223	211,032			
Qwest	SD	\$69,763	\$87,518		265,151	263,104			
Qwest	OR	\$294,738	\$428,137		1,048,582	1,417,051			
Qwest	WA	\$464,207	\$762,130		1,960,013	2,498,321			
Qwest	Total	\$3,499,674	\$5,861,161	67.5%	12,740,252	17,069,619	\$274.69	\$343.37	25.0%
PacBell	CA	\$3,269,207	\$4,741,647		14,757,231	17,548,599			
NevBell	NV	\$59,015	\$89,401		237,508	365,531			
SNET	CT	\$491,598	\$732,375		1,921,799	2,334,052			
Pac/Snet	Total	\$3,819,820	\$5,563,423	45.6%	16,916,538	20,248,182	\$225.80	\$274.76	21.7%
Ameritech	MI	\$1,100,538	\$1,719,537	56.2%	4,256,492	4,804,489	\$258.56	\$357.90	38.4%
Ameritech	IL	\$1,740,291	\$2,428,897		5,404,549	6,230,181			
Ameritech	IN	\$479,350	\$781,351		1,681,532	2,201,624			
Ameritech	OH	\$1,103,052	\$1,418,514		3,274,086	3,891,121			
Ameritech	WI	\$470,937	\$783,722		1,750,697	2,021,433			
Oth Amer	Total	\$3,793,630	\$5,412,484	42.7%	12,110,864	14,344,359	\$313.24	\$377.32	20.5%
Verizon	DC	\$272,839	\$277,358		873,657	1,017,492			
Verizon	MD	\$935,059	\$1,312,687		2,891,600	3,920,482			
Verizon	VA	\$819,404	\$1,206,944		2,632,711	3,605,310			
Verizon	WV	\$264,128	\$376,570		680,128	857,125			
Verizon	DE	\$98,572	\$171,130		428,082	594,430			
Verizon	PA	\$1,307,578	\$1,689,724		5,328,487	6,255,932			
Verizon	NJ	\$1,068,725	\$1,699,486		4,957,181	6,859,222			
Verizon	ME	\$132,980	\$247,198		568,743	734,817			
Verizon	MA	\$1,110,601	\$1,311,489		3,623,238	4,373,612			
Verizon	NH	\$154,176	\$240,562		594,463	794,481			
Verizon	RI	\$159,551	\$196,806		542,381	649,324			
Verizon	VT	\$81,515	\$146,764		273,457	369,263			
Verizon	NY	\$4,510,575	\$3,977,235		9,633,243	11,765,804			
Verizon	Total	\$10,915,703	\$12,853,953	17.8%	33,027,371	41,797,294	\$330.50	\$307.53	-7.0%

Federal Communications Commission, ARMIS database (available at FCC's Website), ARMIS 43-03, Table I, Account 5000, local services revenue; ARMIS 43-08, Table II, total switched access lines.

ATTACHMENT 7

Exhibit ARMIS 2

Change In Monthly Residential Telephone Rates -- FCC's Sample Cities

Rates include touch-tone service, surcharges, 911 charges, and taxes

For All The Cities on FCC's Sample Cities List

Monthly Residential Telephone Rate Data As of Oct. 15, 1991 and Oct. 15, 2001

State/Regional/National Weighted Averages Use April, 2000 U.S. Census Population Data

Rates are for flat-rate service where available and measured/message service with 100 local calls elsewhere

Data is from FCC Table 1.4, Reference Book of Rates, Price Indices...for Telephone Service

Industry Analysis and Technology Division, FCC, July, 2002

Place Name	State	Oct. 15, 1991	Oct. 15, 2001	% Increase	Population, April 1, 2000
Detroit	MI	\$19.04	\$26.68	40.1%	951,270
Grand Rapids	MI	\$17.06	\$24.35	42.7%	197,800
Saginaw	MI	\$16.31	\$27.30	67.4%	61,799
Total, Michigan:		\$18.58	\$26.33	41.7%	1,210,869
Chicago	IL	\$18.17	\$21.61	18.9%	2,896,016
Decatur	IL	\$20.29	\$21.05	3.7%	81,860
Rock Island	IL	\$20.93	\$20.65	-1.3%	39,684
Indianapolis	IN	\$22.47	\$19.87	-11.6%	791,926
Terre Haute	IN	\$22.93	\$23.26	1.4%	59,614
Canton	OH	\$21.29	\$19.95	-6.3%	80,806
Cincinnati	OH	\$20.30	\$23.54	16.0%	331,285
Cleveland	OH	\$21.29	\$19.95	-6.3%	478,403
Columbus	OH	\$21.29	\$19.95	-6.3%	711,470
Toledo	OH	\$21.29	\$19.95	-6.3%	313,619
Milwaukee	WI	\$16.66	\$27.49	65.0%	596,974
Racine	WI	\$16.63	\$27.49	65.3%	81,855
Total, Other Ameritech:		\$19.50	\$21.71	11.3%	6,463,512
Anchorage	AK	\$10.56	\$15.23	44.2%	260,283
Huntsville	AL	\$25.57	\$24.32	-4.9%	158,216
Pine Bluff	AR	\$22.60	\$24.36	7.8%	55,085
West Memphis	AR	\$29.28	\$30.87	5.4%	27,666
Tucson	AZ	\$18.20	\$20.83	14.5%	486,699
Anaheim	CA	\$12.30	\$15.46	25.7%	328,014
Bakersfield	CA	\$12.30	\$15.46	25.7%	247,057
Fresno	CA	\$12.30	\$15.46	25.7%	427,652
Long Beach	CA	\$17.24	\$25.18	46.1%	461,522

Place Name	State	Oct. 15, 1991	Oct. 15, 2001	% Increase	Population, April 1, 2000
Los Angeles	CA	\$13.52	\$17.01	25.8%	3,694,820
Oakland	CA	\$13.09	\$16.62	27.0%	399,484
Salinas	CA	\$12.91	\$16.39	27.0%	151,060
San Bernardino	CA	\$16.93	\$24.72	46.0%	185,401
San Diego	CA	\$12.74	\$15.04	18.1%	1,223,400
San Francisco	CA	\$12.97	\$15.46	19.2%	776,733
San Jose	CA	\$12.91	\$16.23	25.7%	894,943
Boulder	CO	\$20.59	\$23.77	15.4%	94,673
Colorado Springs	CO	\$20.37	\$22.47	10.3%	360,890
Denver	CO	\$20.80	\$23.58	13.4%	554,636
Ansonia	CT	\$16.68	\$21.64	29.7%	18,554
Norwalk	CT	\$18.06	\$20.55	13.8%	82,951
Washington	DC	\$22.16	\$20.70	-6.6%	572,059
Miami	FL	\$17.96	\$18.44	2.7%	362,470
Tampa	FL	\$17.95	\$20.58	14.7%	303,447
West Palm Beach	FL	\$16.50	\$17.62	6.8%	82,103
Albany	GA	\$20.70	\$23.69	14.4%	76,939
Atlanta	GA	\$24.48	\$26.65	8.9%	416,474
Honolulu	HI	\$19.29	\$24.84	28.8%	371,657
Fort Dodge	IA	\$13.66	\$17.36	27.1%	25,196
Louisville	KY	\$24.22	\$27.19	12.3%	256,231
Baton Rouge	LA	\$22.19	\$21.22	-4.4%	227,818
New Orleans	LA	\$23.31	\$20.16	-13.5%	484,674
Boston	MA	\$18.97	\$24.16	27.4%	589,141
Hyannis	MA	\$17.42	\$24.16	38.7%	15,683
Springfield	MA	\$18.44	\$24.16	31.0%	152,082
Baltimore	MD	\$25.27	\$25.85	2.3%	651,154
Portland	ME	\$18.24	\$24.54	34.5%	64,249
Detroit Lakes	MN	\$19.83	\$21.16	6.7%	7,948
Minneapolis	MN	\$21.19	\$22.14	4.5%	382,618
Kansas City	MO	\$20.33	\$20.26	-0.3%	441,545
Mexico	MO	\$17.07	\$19.63	15.0%	11,320
St. Louis	MO	\$20.16	\$20.45	1.4%	348,189
Pascagoula	MS	\$26.34	\$26.52	0.7%	26,200
Butte	MT	\$19.25	\$23.86	23.9%	33,882
Raleigh	NC	\$19.45	\$18.82	-3.2%	276,093
Rockingham	NC	\$17.22	\$17.55	1.9%	9,672
Grand Island	NE	\$21.85	\$27.85	27.5%	42,940
Phillipsburg	NJ	\$13.16	\$14.68	11.6%	15,166
Alamogordo	NM	\$19.12	\$18.21	-4.8%	35,582
Binghamton	NY	\$25.74	\$24.62	-4.4%	47,380
Buffalo	NY	\$33.18	\$20.09	-39.5%	292,648
New York City	NY	\$26.79	\$25.07	-6.4%	8,008,278
Rochester	NY	\$20.98	\$19.02	-9.3%	219,773
Corvallis	OR	\$19.21	\$21.72	13.1%	49,322
Portland	OR	\$21.44	\$22.74	6.1%	529,121
Allentown	PA	\$16.10	\$18.99	18.0%	106,632
Ellwood	PA	\$14.76	\$19.41	31.5%	8,688
Johnstown	PA	\$19.25	\$23.58	22.5%	23,906
New Castle	PA	\$14.76	\$17.71	20.0%	26,909

Place Name	State	Oct. 15, 1991	Oct. 15, 2001	% Increase	Population, April 1, 2000
Philadelphia	PA	\$17.44	\$20.07	15.1%	1,517,550
Pittsburgh	PA	\$17.44	\$20.07	15.1%	334,563
Scranton	PA	\$16.10	\$18.99	18.0%	76,415
Providence	RI	\$23.62	\$24.68	4.5%	173,618
Beaufort	SC	\$21.61	\$21.40	-1.0%	12,950
Memphis	TN	\$20.31	\$21.05	3.6%	650,100
Nashville	TN	\$19.21	\$20.63	7.4%	569,891
Brownsville	TX	\$15.42	\$17.92	16.2%	139,722
Corpus Christi	TX	\$16.22	\$16.93	4.4%	277,454
Dallas	TX	\$18.45	\$20.22	9.6%	1,188,580
Fort Worth	TX	\$16.80	\$19.62	16.8%	534,694
Houston	TX	\$19.40	\$19.59	1.0%	1,953,631
San Antonio	TX	\$16.67	\$17.75	6.5%	1,144,646
Logan	UT	\$15.63	\$20.02	28.1%	42,670
Richmond	VA	\$23.98	\$29.53	23.1%	197,790
Smithfield	VA	\$16.90	\$26.73	58.2%	6,324
Everett	WA	\$19.86	\$21.02	5.8%	91,488
Seattle	WA	\$16.06	\$19.70	22.7%	563,374
Huntington	WV	\$28.63	\$27.10	-5.3%	51,475
Total, Other U.S.:		\$19.73	\$20.93	6.1%	36,011,863

ATTACHMENT 8

Exhibit ARMIS 3, Comparative Toll Revenues Per Line

		LD Network Svc Revs 1991 (\$000)	LD Network Svc Revs 2001 (\$000)	LD Network Svc Revs 10-Year Growth	Total Switched Access Lines 1991	Total Switched Access Lines 2001	LD Network Svc Revs 1991 Per Line	LD Network Svc Revs 2001 Per Line	LD Network Svc Revs Growth Per Line
BellSouth	FL	\$331,150	\$111,205		4,796,879	6,573,767			
BellSouth	GA	\$210,564	\$69,382		2,945,263	3,995,600			
BellSouth	NC	\$150,678	\$27,371		1,777,859	2,484,809			
BellSouth	SC	\$96,754	\$33,773		1,145,592	1,501,154			
BellSouth	AL	\$102,314	\$36,091		1,594,236	1,931,678			
BellSouth	KY	\$108,145	\$15,602		978,089	1,235,025			
BellSouth	LA	\$135,427	\$33,409		1,879,254	2,375,981			
BellSouth	MS	\$150,692	\$47,912		1,008,971	1,338,463			
BellSouth	TN	\$110,859	\$37,676		2,106,636	2,651,666			
BellSouth	Total	\$1,396,583	\$412,421	-70.5%	18,232,779	24,088,143	\$76.60	\$17.12	-77.6%
Qwest	AZ	\$104,562	\$19,657		1,844,449	2,892,059			
Qwest	CO	\$127,558	\$35,744		1,908,432	2,784,640			
Qwest	ID	\$65,483	\$8,954		381,835	580,439			
Qwest	MT	\$52,558	\$6,825		319,734	382,202			
Qwest	NM	\$69,244	\$11,595		612,146	869,293			
Qwest	UT	\$74,700	\$25,241		751,664	1,088,465			
Qwest	WY	\$37,086	\$4,293		220,204	265,631			
Qwest	IA	\$126,407	\$18,409		905,819	1,122,204			
Qwest	MN	\$119,839	\$16,821		1,794,687	2,230,350			
Qwest	NE	\$52,751	\$7,515		466,313	464,828			
Qwest	ND	\$52,534	\$3,946		261,223	211,032			
Qwest	SD	\$40,103	\$7,715		265,151	263,104			
Qwest	OR	\$167,088	\$31,550		1,048,582	1,417,051			
Qwest	WA	\$372,794	\$66,035		1,960,013	2,498,321			
Qwest	Total	\$1,462,707	\$264,300	-81.9%	12,740,252	17,069,619	\$114.81	\$15.48	-86.5%
SWBT	AR	\$92,060	\$48,435		738,720	977,759			
SWBT	KS	\$145,521	\$40,029		1,072,493	1,255,090			
SWBT	MO	\$208,410	\$65,912		1,998,456	2,440,916			
SWBT	OK	\$153,274	\$35,078		1,297,291	1,563,329			
SWBT	TX	\$421,166	\$173,077		6,933,830	8,223,467			
SWBT	Total	\$1,020,431	\$362,531	-64.5%	12,040,790	14,460,561	\$84.75	\$25.07	-70.4%
PacBell	CA	\$2,152,005	\$843,268		14,757,231	17,548,599			
NevBell	NV	\$22,191	\$5,261		237,508	365,531			
SNET	CT	\$360,291	\$197,121		1,921,799	2,334,052			
Pac/Snet	Total	\$2,534,487	\$1,045,650	-58.7%	16,916,538	20,248,182	\$149.82	\$51.64	-65.5%
Ameritech	MI	\$584,215	\$458,853	-21.5%	4,256,492	4,804,489	\$137.25	\$95.51	-30.4%
Ameritech	IL	\$173,228	\$287,866		5,404,549	6,230,181			
Ameritech	IN	\$130,640	\$82,704		1,681,532	2,201,624			
Ameritech	OH	\$210,780	\$83,828		3,274,086	3,891,121			
Ameritech	WI	\$197,783	\$98,263		1,750,697	2,021,433			
Oth Amer	Total	\$712,431	\$552,661	-22.4%	12,110,864	14,344,359	\$58.83	\$38.53	-34.5%
Verizon	DC	\$5,928	\$2,545		873,657	1,017,492			
Verizon	MD	\$113,985	\$58,095		2,891,600	3,920,482			
Verizon	VA	\$126,333	\$30,465		2,632,711	3,605,310			
Verizon	WV	\$89,736	\$23,191		680,128	857,125			
Verizon	DE	\$34,419	\$12,756		428,082	594,430			
Verizon	PA	\$474,315	\$224,144		5,328,487	6,255,932			
Verizon	NJ	\$694,024	\$439,632		4,957,181	6,859,222			
Verizon	ME	\$155,931	\$68,774		568,743	734,817			
Verizon	MA	\$445,172	\$272,358		3,623,238	4,373,612			
Verizon	NH	\$108,965	\$44,462		594,463	794,481			
Verizon	RI	\$48,683	\$22,229		542,381	649,324			
Verizon	VT	\$54,719	\$12,826		273,457	369,263			
Verizon	NY	\$364,737	\$194,552		9,633,243	11,765,804			
Verizon	Total	\$2,716,947	\$1,406,029	-48.2%	33,027,371	41,797,294	\$82.26	\$33.64	-59.1%

ARMIS, FCC, 43-03, Table I, LD Network Svc Revenues (Acct 5100); 43-08, II, total switched access lines.

ATTACHMENT 9

**BEAR, STEARNS & CO. INC.
EQUITY RESEARCH****SBC Communications Inc. (SBC 24.88) - Outperform
Highlights From Meeting With SBC Management****Key Points**

*** We met with SBC management today in New York. A full discussion follows.

*** UNE-P remains the most important issue affecting the company. Although competition in the Southwestern Bell territories is stable and predictable, Ameritech and California competitive access line losses will likely deteriorate further. SBC management is actively seeking relief in the form of increased (cost-based) wholesale UNE pricing.

*** SBC is investing in hopes of organically growing its enterprise market capability. However, management estimates that the company is at least 18 months away from having a meaningful enterprise market product set and five years from gaining traction in the marketplace. AT&T was identified by the company as the acquisition target of choice to speed market entry, but many hurdles exist.

*** Footprint and spectrum constraints are the major issues facing Cingular. Management believes that consolidation is critical and indicated that a transaction with AT&T Wireless appears to make the most sense. The main obstacles to a transaction are valuation and social/governance issues.

*** Rated Outperform. Target price: \$32.

	GAAP Estimates			P/E	Year	Year
	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec		
2001	\$0.51A	\$0.61A	\$0.59A	\$0.64A	\$2.34A	10.6x
2002	\$0.51A	\$0.61A	\$0.56E	\$0.59E	\$2.26E	11.0x
2003					\$2.36E	10.5x

****PLEASE REFER TO THE LAST PAGE OF THIS REPORT FOR IMPORTANT DISCLOSURE INFORMATION**

***Bear Stearns acted as a financial advisor to AOLTime Warner Inc. in its pending transaction with AT&T Corp. & Comcast Corp. involving the restructuring of Time Warner Entertainment.

Management Meeting Summary

The Company Expects Access Line Losses in California to Accelerate Due to Low UNE Prices and Delayed Long Distance Entry. SBC indicated that competition intensified in California after UNE rates were lowered in May. SBC expects to file a cost docket with the California PUC (CPUC) in hopes of raising UNE rates to what SBC believes is a cost-based rate. Management hopes that the CPUC would rule on the docket by year end. Management believes that competition will stabilize in California in 2003 if SBC receives a positive ruling on the rate case, and as the company gains long distance relief and begins offering a bundled product. The CPUC is now expected to vote on SBC's 271 application on September 19 and SBC would file with the FCC shortly thereafter. This would imply a late December/early January FCC ruling. SBC's current 2002 EPS guidance assumes no benefit from California long distance entry.

Intensifying Competition in the Ameritech Region Will Likely Continue Well Into 2003. Management cited high retail rates and low UNE rates as the key reasons for continued line losses in the region. The company estimates that UNE-P pricing in key Ameritech states is in the \$14-\$15 range, a rate that management contends is far below actual cost. According to management, approximately 70% of SBC's UNE-P growth and access line losses are in the Ameritech region. SBC does not expect to gain entry into key long distance markets in the Ameritech region until mid-2003, further exacerbating the situation.

Competitive Forces May Have Stabilized in the Southwestern Bell Region.

Competitive penetration of the region's local market has flattened in the 15%-20% range. SBC partly attributes the stabilization to its ability to offer long distance service as part of a bundle in all Southwestern Bell states. Also, management cited reasonably-priced UNE rates (in the \$20 range). In contrast to California and the Ameritech region, SBC indicated that consumer revenue in the Southwestern Bell states actually increased 3% last quarter.

Economic Weakness is the Primary Cause of Business Access Line Losses. In contrast, management estimates that 78% of retail consumer access line loss is due to UNE-P with the balance due to the economy (less than 10%) and technology substitution.

SBC's Local Data Business Continues to Grow. Within local data, the high-end of the market is down about 5%, the government and SME markets are up in the double-digits, wholesale data is up 9%, but ISP business is down approximately 44%. Local data trends have not changed much since the end of 2Q02, according to management.

SBC is Pursuing an Organic Strategy to Attack the Enterprise Market ... For Now. Management believes that the company is 18 months away from having a meaningful enterprise product set and five years away from gaining significant market share. Management discussed possible acquisition targets to expedite market entry. Qwest, Broadwing, and WorldCom were deemed less attractive acquisition candidates. Sprint FON was identified as an attractive property but a relatively small customer base was noted. AT&T seemed to be the most attractive candidate to SBC, but the company cited DoJ hurdles in completing any deal. Specifically, SBC believes that it might have to divest AT&T Consumer customers in-region. In addition, AT&T's CLEC business and its small and medium-sized business customers could create problems with DoJ approval. SBC indicated that finding a buyer for those assets would be a challenge. Management believes that over time, margins in the large enterprise market will improve and pricing across most enterprise business products will be stable or increase.

No Anticipation of a Price War in Consumer Long Distance. SBC indicated (and we have observed) that RBOC pricing is in-line or higher than the IXCs'. Management believes that its ARPU and MOU will be relatively stable as the company penetrates markets where it has section 271 relief. SBC assumes that it can achieve 30% market share 12 months after entering a new market and is targeting a long run (3-4 years) penetration rate in the 60%-70% range.

Although Elusive, Wireless Consolidation Remains a Serious Consideration. Management identified spectrum depth and holes in its footprint as the key constraints for Cingular Wireless. The eventual rollout of national wireless data products exacerbate these concerns. SBC also identified duplicative capital investment as a key reason for consolidation. Management identified AT&T Wireless as a potential candidate, but cited valuation, governance, and other social issues as potential hurdles. VoiceStream was also mentioned, but valuation seems to be a stumbling block for now.

Other Notable Information:

excluding WorldCom, bad debt rates have been stable

WorldCom receivable is fully reserved; may see increased levels of bad debt associated with WorldCom due to approximately \$200M of monthly products and services sales; expect cash payments from WorldCom to commence this week excess cash, including any cash associated with BCE's potential purchase of SBC's remaining 16% ownership in BCE (allowable from 10/15/02-11/15/02), will be used to reduce debt pension income erosion will have a significant impact on future earnings

Our Price Target is \$32. We base our objective on a P/E of 13.9x estimated 2002 EPS (a 25% discount to the market multiple). Our target reflects a 6.5x multiple of our estimate of SBC's proportional share of Cingular's 2002 EBITDA (in line with current market value for national wireless service providers), a 6.5x multiple on 2002E directory EBITDA, and a 5.5x EBITDA multiple on the core wireline unit.

Valuation Method For Target Price: Valuation is based on a 25% discount to the S&P 500 P/E multiple.

Q, T, BLS, SBC: Within the past twelve months, Bear, Stearns & Co. Inc. or one of its affiliates was the manager or co-manager of a public offering of securities for this company.

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Bear, Stearns & Co. Equity Research Rating System:

Ratings for Stocks (vs. analyst coverage universe):

Outperform (O) - Stock is projected to outperform analyst's industry coverage universe over the next 12 months.

Peer Perform (P) - Stock is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.

Underperform (U) - Stock is projected to underperform analyst's industry coverage universe over the next 12 months.

Ratings for Sectors (vs. regional broader market index):

Market Overweight (MO) - Expect the industry to perform better than the primary market index for the region over the next 12 months.

Market Weight (MW) - Expect the industry to perform approximately in line with the primary market index for the region over the next 12 months.

Market Underweight (MU) - Expect the industry to underperform the primary market index for the region over the next 12 months.

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ATTACHMENT 10

SBC raises nonlocal call rates

Company says prices better reflect costs

By Vikas Bajaj Staff Writer, The Dallas Morning News

Published February 2, 2001

SBC Communications Inc. raised its consumer long-distance rates 1 to 2 cents a minute Thursday, saying the new promotions will better reflect the cost of providing the service.

The changes, which include slightly lower long-distance rates for businesses, came on the same day that SBC, the San Antonio-based parent of Southwestern Bell, increased the price for its much sought-after digital subscriber line service by \$10 a month.

SBC's long-distance service will now cost 10 cents a minute, up from 9 cents.

The discounted rate for customers who buy other services from Southwestern Bell is now 8 cents, up from 6 cents. A new package allows customers who pay a \$4.95 monthly fee to get long-distance calls for 7 cents a minute.

Existing customers keep the old rates until they change addresses.

Southwestern Bell started selling long distance in July after persuading the Texas Public Utility Commission and the Federal Communications Commission that the local phone service market in Texas was open to competition. (The firm recently won approval to sell the service in Kansas and Oklahoma starting March 7.)

In Texas, SBC had 1.4 million long-distance customers at the end of 2000. The service is an important part of its strategy to sell consumers a broad array of telephony and data products.

The rate increase "highlights the fact that SBC feels like they are in control and they can set the price," said Gary Jacobi, an analyst with Deutsche Banc Alex.Brown. "You start to do a billion minutes, and you pick up an extra 2 cents a minute, that's a lot."

SBC said the increase still leaves it with some of the lowest-priced packages.

"We have made changes that reflect the cost of providing service," said Shawn Ramsey, a Southwestern Bell spokeswoman. "Basically, we are new to the long-distance business, and we have learned a lot of things about what we offer and how much we charge."

AT&T's best long-distance-only offer costs \$4.95 a month and charges consumers 7 cents a minute for interstate calls and 9 cents for calls within Texas. The firm also sells several local/long-distance packages, one of which costs \$25.95 for unlimited local calling, 7 cents a minute for long distance and three premium features such as caller ID.

"There is no doubt they [SBC] have taken some of our long-distance customers, but we have taken 325,000 of their local service customers," said Kerry Hibbs, an AT&T Corp. spokesman. "We think we are doing pretty well."

The new rates drew criticism from consumer advocates who said the increases prove that despite deregulation Southwestern Bell has no credible competitive threat in its consumer business.

"The theory is that competition is supposed to bring prices down and provide a lot of different offerings for consumers," said Janee Briesemeister, an analyst with Consumers Union in Austin. "And what we are seeing instead is prices getting higher and higher."

ATTACHMENT 11

Public Utilities Commission of Texas News Releases

**Southwestern Bell Raises Local Phone Rates
Court Forces PUC to Allow Rate Hike in 32 Local Exchanges**

Contact:
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Pager: 512-322-1457

Thursday, October 24, 2002 -- Southwestern Bell Telephone Co. (SWBT) will raise local phone rates in 32 Texas exchanges effective November 15.

SWBT originally applied for the rate increase in December 1997. The Public Utility Commission of Texas (PUC) objected to the increase and denied it in a January 1999 order. SWBT appealed the decision in Travis County District Court. After review by the Third Court of Appeals and the Texas Supreme Court, on Aug. 6, 2002 the Travis County District Court issued an order forcing the PUC to allow the increase.

The increase ranges from 20 cents to 65 cents per phone line per month for basic residential service and from 45 cents to \$3.00 per month per phone line for basic business service. The company notified customers about the increase in bills dated from Aug. 7, 2002 through Sept. 5, 2002. Filings in the original case show the total annual revenue increase for SWBT to be approximately \$29.9 million.

More than 90 percent of the revenue rate increase would be collected from business and residential customers in the Austin, Dallas and Fort Worth exchanges. The remaining 29 local exchanges are Allen, Bandera, Brownsville, Burkburnett, Carthage, Center, Deadwood, Eastland, Edcouch, Ennis, Henrietta, Hereford, Iowa Park, Laredo, Liberty Hill, Longview, McKinney, Medina Lake, Mercedes, Orange, Port Isabel, Roscoe, Spring, Sullivan City, Sweetwater, Tomball, Troy, Uvalde and Wharton.

SWBT has petitioned the PUC with a tariff filing to recover \$142.7 million in surcharges for the period January 1999 to November 2002, plus interest. The filing at the PUC is under docket 26719.

All PUC News Releases are available at www.puc.state.tx.us

ATTACHMENT 12

Kansas Corporation Commission News Release

September 25, 2001

KCC rebalances long distance access charges and local service rates

The Kansas Corporation Commission, in a two to one decision, today issued an order reducing intrastate long distance access charges for long distance companies and allowing Southwestern Bell Telephone (SWBT) and Sprint/United to rebalance revenues lost as a result of these reductions to local service rates.

The Commission's action today represents another step in carrying out the legislative mandates to make it possible for competition to develop in Kansas. The 1996 State Telecommunications Act specifically identified the reduction of intrastate access charges to the same level as interstate access charges as an important objective necessary to encourage the emergence of competition in the Kansas telecommunications markets. In addition, the 1996 Federal Telecommunications Act calls for a move away from implicit to explicit subsidies and for the prices charged to more closely reflect the actual cost to provide service. Historically, access charges assessed by local service providers to long distance companies have subsidized the cost of local service. The elimination of implicit, or hidden subsidies in a company's rates will continue to level the playing field to allow the same opportunity for all participants in a competitive market.

Local phone companies charge long distance companies for the use of the local company's network to complete a call. This charge is based on the local company's access rates assessed on a per minute of use basis, and is passed on to consumers in their long distance charges. Long distance companies are required by law to pass through these reductions in access rates to their customers.

To the extent Sprint/United's and SWBT's revenues are reduced through these access rate reductions, state law allows them to make up that revenue. Accordingly, Sprint/United's and SWBT's rates for local service will be increased to bring them closer to the cost to provide this service.

This rate rebalancing, or shifting of cost, from intrastate long distance rates to local monthly service rates is revenue neutral to customers collectively. Individual customers will see their total phone bill either increase or decrease based upon their level of intrastate toll usage. Currently, residential customers with multiple lines for fax, computer, and voice service who make primarily local calls are being subsidized by single line residential customers with high intrastate toll usage. Today's action will reduce the amount of these hidden subsidies.

Southwestern Bell residential customers will experience an average local rate increase of \$1.77 per month, with a range of increase from \$1.55 to \$1.85 per month (depending on

the area served and current rate structure), effective October 1, 2001. For Sprint/United residential customers the average local rate increase will be \$4.89 per month, with a range of increase from \$4.00 to \$6.75 per month (depending on the area served and current rate structure). To minimize the impact to consumers, Sprint/United's increase will be phased in over a three-year period, beginning in June 2002. None of these increases will result in basic local rates greater than \$21 per month in urban areas and \$17 per month in rural areas.

For those persons needing assistance with their bill for local phone service, the Lifeline Program is available by contacting their local phone company. Eligible individuals may receive up to a \$10.50 reduction in the monthly local service charge. Individuals who can provide proof, in the form of a medical card or Vision card, that they are currently receiving any of the following benefits are eligible for assistance from the Kansas Lifeline Program: Food Stamps, General Assistance, Supplemental Security Income (SSI), Temporary Assistance to Families, Medicaid, and United Tribes Food Distribution Program. As part of its order today, the Commission directed Staff to open an investigation into the Lifeline Program, regarding whether the amount of assistance is sufficient.

Docket No. 01-GIMT-082-GIT

ATTACHMENT 13

PSC NEWS

Missouri Public Service Commission

Contact: Kevin Kelly

Phone: (573) 751-9300

Governor Office Building, Suite 900

FY-02-166

SOUTHWESTERN BELL PROPOSED TARIFFS TO TAKE EFFECT MAY 6

Jefferson City (May 1, 2002)---Tariffs which will adjust a number of rates for various telephone services for Southwestern Bell Telephone Company will go into effect, as filed by the state's largest telephone company, on May 6, 2002.

Under tariffs filed by Southwestern Bell, rates will increase for a number of services including various operator services, toll services and certain non-basic or vertical services such as Call Waiting, Call Forwarding and Caller ID. Southwestern Bell Telephone Company is also proposing to decrease rates for certain residential directory listings and other miscellaneous services. **The basic monthly telephone rates for one-party residential and business customers of Southwestern Bell Telephone Company will not change under this filing.**

Non-basic telephone rates for approximately 120 services will increase by up to 8 percent under Southwestern Bell's filing which is in accordance with legislation passed by the Missouri General Assembly in 1996. That legislation granted more pricing flexibility to competitive telephone companies while ensuring that customers pay reasonable charges for their services (**called price cap regulation**). Under state law, telephone rate changes must be filed with the Missouri Public Service Commission. The Commission then ensures that those changes comply with the law.

The Commission, in an order issued in December 2001, determined that other services such as operator services and toll rates are competitive offerings and as such Southwestern Bell Telephone Company should have the ability to adjust those rates, if they choose to do so, on 10 days notice to the Commission and affected customers. As with other telecommunications providers offering competitive services, the marketplace will determine the price.

Under Southwestern Bell's filing, various operator services will increase by between 7 percent and 13 percent depending on the type of service. In addition, Southwestern Bell Telephone Company's toll rates will change. As part of its filing, Southwestern Bell will change the way it charges for those calls. Previously, long distance calls were also mileage sensitive. Under this filing, Southwestern Bell will eliminate the mileage component of charging for long distance calls by instituting a flat per-call rate irrespective of mileage considerations. Under flat rate pricing, some calls will be priced higher and some calls will be priced lower compared to the current distance sensitive pricing method. As a result, some customers might actually see their long distance bill drop.

Southwestern Bell serves approximately 2.7 million access lines in Missouri.

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